

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Township of Washington</u>	County <u>Macomb</u>
Audit Date <u>March 31, 2004</u>	Opinion Date <u>June 11, 2004</u>	Date Accountant Report Submitted To State: <u>July 19, 2004</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address <u>27400 Northwestern Highway</u>	City <u>Southfield</u>	State <u>MI</u>	ZIP <u>48034</u>
Accountant Signature 			

Township of Washington Macomb County, Michigan

**Financial Report
with Supplemental Information
March 31, 2004**

Township of Washington

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Independent Auditor's Report

To the Board of Trustees
Township of Washington
Macomb County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Washington as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Washington's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Washington as of March 31, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Washington. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



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To the Board of Trustees
Township of Washington
Macomb County, Michigan

As described in Note I, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2003. As discussed in Note I, the Township changed its method of accounting for state-shared revenue.

Plante & Moran, PLLC

June 11, 2004

Township of Washington

Management's Discussion and Analysis

Overview of the Financial Statements

Washington Township's 2004 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

Governmental Activities - Most of the Township's basic services are included here, such as the police, fire, public works, and general administration. Property taxes, state-shared revenue, charges for services, and three special operating millages provide most of the funding.

Business-type Activities - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is treated as business-type activities.

Township of Washington

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three types of funds:

Governmental Funds - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Proprietary Funds - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.

Fiduciary Funds - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Township of Washington

Management's Discussion and Analysis (Continued)

Financial Overview

The Township has combined total net assets of \$59.8 million. This is an increase over 2003 of \$5.9 million. Business-type activities comprise \$41.7 million, and governmental activities make up \$18.1 million of the total net assets. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

In Thousands

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current assets	\$ 14,219	\$ 13,584	\$ 12,499	\$ 10,858	\$ 26,718	\$ 24,442
Noncurrent assets	5,461	4,131	33,746	32,155	39,207	36,286
Total assets	19,680	17,715	46,245	43,013	65,925	60,728
Liabilities						
Current liabilities	701	737	500	669	1,201	1,406
Long-term liabilities	893	1,038	4,081	4,379	4,974	5,417
Total liabilities	1,594	1,775	4,581	5,048	6,175	6,823
Net Assets						
Invested in capital assets -						
Net of related debt	5,461	4,131	30,595	28,661	36,056	32,792
Restricted	6,219	5,582	1,437	1,250	7,656	6,832
Unrestricted (deficit)	6,406	6,227	9,632	8,054	16,038	14,281
Total net assets	<u>\$ 18,086</u>	<u>\$ 15,940</u>	<u>\$ 41,664</u>	<u>\$ 37,965</u>	<u>\$ 59,750</u>	<u>\$ 53,905</u>

The Township experienced significant changes in both assets of the governmental activities and business-type activities. Under the government activities, our greatest source of increase to net assets was the donation of 40 acres of park property valued at approximately \$1.1 million. Our greatest source of business-type activities increase to net assets was due to the nearly \$2.3 million worth of water and sewer distribution system that was constructed and donated to the Sewer and Water department.

One of the Township's largest governmental activity expenditures was the completion of the senior center addition at a cost of nearly \$450,000. We continue to pay our debt service on water and sewer capital related items, which is our largest liability of the business-type activities. Other changes are minimal and balances are fairly consistent with last year.

Township of Washington

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets for 2004. Future reports will provide comparative data for the statement of activities.

In Thousands

	Governmental Activities	Business-type Activities	Total
Revenue			
Program revenue:			
Charges for services	\$ 872	\$ 3,235	\$ 4,107
Operating grants and contributions	1	-	1
Capital grants and contributions	86	3,985	4,071
General revenue:			
Property taxes	4,598	-	4,598
State-shared revenue	1,210	-	1,210
Unrestricted investment earnings	246	132	378
Franchise fees	130	-	130
Donated land	1,125	-	1,125
Transfers and other revenue	2	4	6
Total revenue	8,270	7,356	15,626
Program Expenses			
General government	1,643	-	1,643
Public safety	4,339	-	4,339
Public works	106	-	106
Interest on long-term debt	36	-	36
Water and sewer	-	3,657	3,657
Total program expenses	6,124	3,657	9,781
Change in Net Assets	\$ 2,146	\$ 3,699	\$ 5,845

Governmental Activities

Revenues for governmental activities totaled \$8.3 million in 2004. A total of \$4.6 million was in the form of property tax collections, an increase of \$400,000 over 2003. This increase reflects a change in the general operating millage from .6529 mills to .6657 mills, as well as a significant increase in taxable value of \$61.5 million. The police and fire and advance life support special assessment millage generated \$4 million of the total \$4.6 million of property tax revenue reported above. State-shared revenues continue to be of concern. While they provided \$1.2 million, we are uncertain what will happen in 2005 given the State's financial difficulties. Charges for services, primarily for inspections, generated \$872,000.

Township of Washington

Management's Discussion and Analysis (Continued)

Business-type Activities

The Township has one business-type activity, the water and sewer operations. Revenues for business-type activities were \$7.4 million.

The water and sewer operation consists of the following: Water is provided to the Township residents via the Detroit Water and Sewer Department. Sewage treatment is provided by contracts with the Detroit Water and Sewer Department and Macomb County. The Township participates in the Garfield interceptor project to ensure sewer capacity for the community.

Current Economic Events

The Township continues to experience substantial growth in the community. This growth is a direct result of the very unique development projects approved in the community even during the current softening of the overall market. Our taxable value has reached over \$887 million and continues to grow under the many new commercial and residential projects being reviewed and approved.

Revenue sharing, as it was in 2003, continues to be the most significant budgetary concern at this time. The State of Michigan is experiencing significant structural budget problems, and as they look for solutions, revenue sharing continues to be under attack. The governor's proposed budget for 2004/2005 calls for a level funding for state revenue-sharing payments. Our community continues to weather the cuts in state-shared revenue in part due to very positive, conservative actions of previous boards. Our current board continues the conservative example of previous boards, while always keeping our obligations to current and future residents as our beacon. Our community continues to grow, and we use our strategic future forecasts to plan for and budget for future needs.

Financial Analysis of Township Funds and Budgets

The General Fund ended 2004 with a fund balance of \$2.2 million, with \$1.4 million designated. Several factors affected operating results. First, state-shared revenue was \$156,000 over the amended budget due to the change in accounting method for recognizing the revenue, as discussed in Note I to the financial statements. Tax revenue was up due to increased taxable value. Tax collections were \$583,000 for 2004. This is an increase of \$54,000 over 2003.

The General Fund budget is amended throughout the year as deemed necessary. This is primarily done to prevent overexpenditures. With that in mind, the General Fund expenditures were 95.5 percent of budget. With the exception of the previously mentioned items, no major General Fund areas were significantly under or over budget.

Police and fire and advanced life support operations are funded separately through special assessment millages. These funds are expended exclusively for operations of police and fire and advanced life support, respectively. All of these funds have a positive fund balance position.

Township of Washington

Management's Discussion and Analysis (Continued)

Capital Assets and Debt

The Township continued capital projects in 2004. The Senior Center addition was completed as of year end. This project was funded with CDBG funds, a donation from the Parks and Recreation Department, and through General Fund reserves. The Township continues to forecast future projects. This allows the designating of fund balance to fund these long-term projects. Future projects include road improvements, as well as the purchase of an alternate power source to allow for continued and emergency operations during times of power outages.

Debt relating to special assessment projects and compensated absences totaling \$893,000 is recorded as a liability in the governmental activities in the statement of net assets. Debt relating to the water and sewer system and compensated absences totaling \$4 million is recorded as a liability in the business-type activities in the statement of net assets.

Contact Us

This report is intended to aid our residents and other interested parties in understanding the Township's financial condition. Should you have further questions, please contact the Finance and Budget Department at the Washington Township Municipal Building.

Township of Washington

Statement of Net Assets March 31, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 11,282,233	\$ 9,073,050	\$ 20,355,283
Receivables:			
Special assessments	745,582	535,962	1,281,544
Customers	-	418,619	418,619
Other receivables	36,171	171,643	207,814
Due from other governmental units	650,624	25,096	675,720
Internal balances	32,878	(32,878)	-
Prepaid expenses	60,854	16,927	77,781
Investment in Romeo, Washington, Bruce Parks and Recreation Commission	790,479	-	790,479
Investment in Bruce and Washington Senior Transportation thru Advanced Reservation Commission	620,470	-	620,470
Restricted assets (Note 7)	-	2,290,703	2,290,703
Capital assets (Note 4):			
Capital assets not being depreciated	1,526,621	920,067	2,446,688
Capital assets being depreciated - Net	3,934,335	32,826,282	36,760,617
Total assets	19,680,247	46,245,471	65,925,718
Liabilities			
Accounts payable	189,115	387,390	576,505
Due to other governmental units	109,621	-	109,621
Accrued and other liabilities	402,304	112,603	514,907
Noncurrent liabilities (Note 6):			
Due within one year	125,000	350,000	475,000
Due in more than one year	768,037	3,731,071	4,499,108
Total liabilities	1,594,077	4,581,064	6,175,141
Net Assets			
Invested in capital assets - Net of related debt	5,460,956	30,595,437	36,056,393
Restricted:			
Restricted for water and sewer line maintenance and construction	-	1,115,615	1,115,615
Restricted for bond ordinance	-	321,000	321,000
Fire service	3,185,919	-	3,185,919
Law enforcement	795,328	-	795,328
Advanced life support service	2,077,779	-	2,077,779
Sidewalk maintenance	82,094	-	82,094
Street lighting	13,019	-	13,019
Special assessment capital projects	65,278	-	65,278
Unrestricted	6,405,797	9,632,355	16,038,152
Total net assets	\$ 18,086,170	\$ 41,664,407	\$ 59,750,577

Township of Washington

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 1,642,842	\$ 51,135	\$ -	\$ 32,132
Public safety	4,338,782	745,804	880	11,479
Public works	105,576	75,193	-	42,270
Interest on long-term debt	35,941	-	-	-
Total governmental activities	6,123,141	872,132	880	85,881
Business-type activities - Water and sewer	3,656,981	3,235,156	-	3,984,717
Total primary government	<u>\$ 9,780,122</u>	<u>\$ 4,107,288</u>	<u>\$ 880</u>	<u>\$ 4,070,598</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Miscellaneous				
Special item - Land donation				
Transfers				
Total general revenues, special item, and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended March 31, 2004

Net (Expense) Revenue and Changes in Net Assets

<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (1,559,575)	\$ -	\$ (1,559,575)
(3,580,619)	-	(3,580,619)
11,887	-	11,887
(35,941)	-	(35,941)
(5,164,248)	-	(5,164,248)
-	3,562,892	3,562,892
(5,164,248)	3,562,892	(1,601,356)
4,597,485	-	4,597,485
1,210,394	-	1,210,394
246,276	131,682	377,958
129,872	-	129,872
2,888	3,275	6,163
1,124,700	-	1,124,700
(1,339)	1,339	-
7,310,276	136,296	7,446,572
2,146,028	3,699,188	5,845,216
15,940,142	37,965,219	53,905,361
<u>\$ 18,086,170</u>	<u>\$ 41,664,407</u>	<u>\$ 59,750,577</u>

Township of Washington

Governmental Funds Balance Sheet March 31, 2004

	Major Special Revenue Funds				Other Nonmajor	Total Governmental
	General	Fire	Advanced Life Support	Police	Governmental Funds	Funds
Assets						
Cash and cash equivalents (Note 3)	\$ 4,856,397	\$ 3,192,344	\$ 2,065,254	\$ 715,472	\$ 452,766	\$ 11,282,233
Receivables:						
Special assessments	471,109	-	-	-	274,473	745,582
Other	2,233	19,775	14,163	-	-	36,171
Due from other funds (Note 5)	32,982	-	-	-	3,418,080	3,451,062
Due from other governmental units	318,375	97,793	79,428	50,583	4,366	550,545
Prepaid expenses	32,273	16,254	12,324	-	3	60,854
Total assets	\$ 5,713,369	\$ 3,326,166	\$ 2,171,169	\$ 766,055	\$ 4,149,688	\$ 16,126,447
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 88,993	\$ 46,172	\$ 31,972	\$ 2,080	\$ 19,898	\$ 189,115
Due to other governmental units	107,306	2,315	-	-	-	109,621
Due to other funds	2,621,724	421,427	374,991	-	42	3,418,184
Accrued and other liabilities	245,677	91,729	61,387	-	645	399,438
Deferred revenue (Note 10)	471,109	-	-	-	274,473	745,582
Total liabilities	3,534,809	561,643	468,350	2,080	295,058	4,861,940
Fund Balances						
Reserved for:						
Law enforcement	-	-	-	763,975	31,350	795,325
Fire service	-	2,748,269	-	-	-	2,748,269
Advanced life support	-	-	1,690,495	-	-	1,690,495
Prepays	32,273	16,254	12,324	-	3	60,854
Unreserved - Reported in:						
General Fund	717,793	-	-	-	-	717,793
Designated (Note 11)	1,428,494	-	-	-	-	1,428,494
Debt Service Fund	-	-	-	-	294,575	294,575
Capital Projects Funds	-	-	-	-	83,129	83,129
Special Revenue Funds	-	-	-	-	414,583	414,583
Designated (Note 11)	-	-	-	-	3,030,990	3,030,990
Total fund balances	2,178,560	2,764,523	1,702,819	763,975	3,854,630	11,264,507
Total liabilities and fund balances	\$ 5,713,369	\$ 3,326,166	\$ 2,171,169	\$ 766,055	\$ 4,149,688	\$ 16,126,447
Fund balance - Total governmental funds						\$ 11,264,507
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and are not reported in the funds						5,460,956
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures						745,582
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures						100,079
Accrued interest payable on long-term debt is not recorded in the funds						(2,866)
Investments in joint ventures are not reported in the funds						1,410,949
Long-term liabilities are not due and payable in the current period and are not reported in the funds						(893,037)
Net assets of governmental activities						\$ 18,086,170

Township of Washington

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2004

	Major Special Revenue Funds				Other Nonmajor Governmental Funds	Total Governmental Funds
	General	Fire	Advanced Life Support	Police		
Revenue						
Property taxes	\$ 589,540	\$ 1,778,770	\$ 1,430,431	\$ 798,744	\$ -	\$ 4,597,485
Licenses and permits	609,178	-	-	-	-	609,178
State-shared revenue	1,375,967	-	-	-	8,419	1,384,386
Fees	312,088	-	43,927	53,328	38,237	447,580
Interest and rent	199,731	37,062	18,550	2,829	30,375	288,547
Special assessments	270,452	-	-	-	168,196	438,648
Other revenue	72,883	11,363	6,280	-	11,482	102,008
Total revenue	3,429,839	1,827,195	1,499,188	854,901	256,709	7,867,832
Expenditures						
General government	1,864,214	-	-	-	3,273	1,867,487
Public safety	506,010	1,528,258	1,200,445	710,053	25,754	3,970,520
Public works	55,319	-	-	-	-	55,319
Insurance	68,598	-	-	-	-	68,598
Capital outlay	342,573	77,564	9,664	-	32,267	462,068
Debt service	-	-	-	-	193,075	193,075
Total expenditures	2,836,714	1,605,822	1,210,109	710,053	254,369	6,617,067
Excess of Revenue Over Expenditures	593,125	221,373	289,079	144,848	2,340	1,250,765
Other Financing Sources (Uses)						
Transfers in	42,268	-	-	-	616,723	658,991
Transfers out	(476,723)	(70,000)	(70,000)	-	(43,607)	(660,330)
Total other financing sources (uses)	(434,455)	(70,000)	(70,000)	-	573,116	(1,339)
Net Change in Fund Balances	158,670	151,373	219,079	144,848	575,456	1,249,426
Fund Balances - Beginning of year	2,019,890	2,613,150	1,483,740	619,127	3,279,174	10,015,081
Fund Balances - End of year	<u>\$ 2,178,560</u>	<u>\$ 2,764,523</u>	<u>\$ 1,702,819</u>	<u>\$ 763,975</u>	<u>\$ 3,854,630</u>	<u>\$ 11,264,507</u>

Township of Washington

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2004

Net Change in Fund Balances - Total Governmental Funds \$ 1,249,426

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation 1,612,992

Depreciation is recorded as an expense in the statement of activities but not in the governmental funds (282,995)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (401,693)

Interest expense is recorded when incurred in the statement of activities (2,866)

Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds (173,992)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 160,000

The change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities (14,844)

Change in Net Assets of Governmental Activities \$ 2,146,028

Township of Washington

Proprietary Fund Statement of Net Assets March 31, 2004

	Enterprise - Water and Sewer
Assets	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 9,073,050
Accounts receivable:	
Customers	418,619
Special assessments	535,962
Other	171,643
Due from other governmental units	25,096
Prepaid expenses and other assets	16,927
Total current assets	10,241,297
Noncurrent assets:	
Restricted assets (Note 7)	2,290,703
Capital assets (Note 4):	
Capital assets not being depreciated	920,067
Capital assets being depreciated - Net	32,826,282
Total noncurrent assets	36,037,052
Total assets	46,278,349
Liabilities	
Current liabilities:	
Accounts payable	387,390
Accrued and other liabilities	112,603
Due to other funds	32,878
Current portion of long-term obligations (Note 6)	350,000
Total current liabilities	882,871
Noncurrent liabilities - Long-term debt - Net of current portion (Note 6)	3,731,071
Total liabilities	4,613,942
Net Assets	
Investment in capital assets - Net of related debt	30,595,437
Restricted for water and sewer line maintenance and construction	1,115,615
Restricted for bond ordinance	321,000
Unrestricted	9,632,355
Total net assets	\$ 41,664,407

Township of Washington

Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2004

	Enterprise - Water and Sewer
Operating Revenue	
Water usage	\$ 1,509,516
Sewage usage	1,121,440
Other	<u>607,475</u>
Total operating revenue	3,238,431
Operating Expenses	
Sewer and water purchases	1,586,293
Administration	91,878
Billing and clerical	151,918
Other services	77,472
Buildings and grounds	30,599
Inspection	414,583
Depreciation (Note 4)	815,899
Insurance	41,874
Fringe benefits	<u>220,021</u>
Total operating expenses	<u>3,430,537</u>
Operating Loss	(192,106)
Nonoperating Revenue (Expense)	
Tap fees	1,647,285
Interest income	183,034
Interest expense	<u>(226,444)</u>
Total nonoperating revenue	<u>1,603,875</u>
Income - Before contributions and transfers	1,411,769
Capital Contributed from Developers and Customers	2,286,080
Transfers In	<u>1,339</u>
Change in Net Assets	3,699,188
Net Assets - Beginning of year	<u>37,965,219</u>
Net Assets - End of year	<u><u>\$ 41,664,407</u></u>

Township of Washington

Proprietary Fund Statement of Cash Flows Year Ended March 31, 2004

	Enterprise - Water and Sewer
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,842,624
Payments to suppliers	(2,230,869)
Payments to employees	(469,725)
Other operating receipts	<u>625,570</u>
Net cash provided by operating activities	767,600
Cash Flows from Noncapital Financing Activities - Transfers in	1,339
Cash Flows from Capital and Related Financing Activities	
Collection of customer assessments (principal and interest)	241,344
Purchase of capital assets	(328,233)
Principal paid on bond maturities	(345,000)
Interest paid on bonds	(226,444)
Lateral fees	<u>1,854,699</u>
Net cash provided by capital and related financing activities	1,196,366
Cash Flows from Investing Activities - Interest received	<u>136,096</u>
Net Increase in Cash and Cash Equivalents	2,101,401
Cash and Cash Equivalents - Beginning of year	<u>9,145,895</u>
Cash and Cash Equivalents - End of year	<u>\$ 11,247,296</u>
Balance Sheet Classification of Cash and Cash Equivalents	
Cash and investments (Note 3)	\$ 9,073,050
Restricted assets (Note 7)	<u>2,174,246</u>
Total cash and cash equivalents	<u>\$ 11,247,296</u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating loss	\$ (192,106)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	815,899
Changes in assets and liabilities:	
Decrease in receivables	209,778
Decrease in inventory	18,095
Decrease in due from other governmental units	1,890
Decrease in prepaid expenses and other assets	8,302
Decrease in accounts payable	(186,744)
Increase in accrued and other liabilities	65,322
Increase in due to other funds	<u>27,164</u>
Net cash provided by operating activities	<u>\$ 767,600</u>

Noncash Investing, Capital, and Financing Activities - During the year ended March 31, 2004, the Water and Sewer Fund received approximately \$2,079,000 of lines donated by developers.

Township of Washington

Fiduciary Funds Statement of Assets and Liabilities March 31, 2004

	<u>Agency Funds</u>
Assets - Cash and investments (Note 3)	<u>\$ 1,131,931</u>
Liabilities	
Due to other governmental units	\$ 1,414
Cash bonds and deposits	<u>1,130,517</u>
Total liabilities	<u>\$ 1,131,931</u>

Township of Washington

Notes to Financial Statements March 31, 2004

Note I - Summary of Significant Accounting Policies

The accounting policies of the Township of Washington (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Washington:

Reporting Entity

The Township is governed by an elected seven-member Board of Trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

The Township Building Authority is governed by a board that is appointed by the Board of Trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings. The Township Building Authority was inactive during the year and has no assets or liabilities.

The Economic Development Corporation (the "Corporation") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents. The Corporation's governing body is selected by the Township Board. The Corporation was inactive during the year and has no assets or liabilities.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. All other revenue items are considered to be available only when cash is received by the Township.

Note I - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund - The Fire Fund accounts for the proceeds of a property tax levy that are earmarked for fire service.

Police Fund - The Police Fund accounts for the proceeds of a property tax levy that are earmarked for police service.

Advanced Life Support Fund - The Advanced Life Support Fund accounts for the proceeds of a property tax levy that are earmarked for advanced life support service.

The Township reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund is used to account for the results of operations that provide water and sewer service to citizens that is financed primarily by a user charge for the provision of that service.

Additionally, the Township reports the following fund types:

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected to also follow private sector standards issued after November 30, 1989 for its business-type activities.

Note 1 - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund, the Water and Sewer Fund, relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township of Washington's 2003 tax is levied and collectible on December 1, 2003 and is recognized as revenue in the year ended March 31, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2003 taxable valuation of the Township of Washington totaled \$885 million, on which taxes levied consisted of .6657 mills for operating purposes, 1.8890 mills for advanced life support services, .9660 mills for police services, and 2.3490 mills for fire services. This resulted in \$583,000 for operating, \$1.4 million for advanced life support services, \$797,000 for police services, and \$1.8 million for fire services. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue.

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the General Fund, Fire Fund, Liquor Law Enforcement Fund, Ambulance Fund, Water and Sewer Fund, and the Trust and Agency Fund is generally allocated to each fund using a weighted average of balances for the principal held for each fund on a monthly basis.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - The revenue bonds of the Water and Sewer Fund require amounts to be set aside for debt service. The unspent portion of the bonds is required to be set aside for construction. Additionally, the Water and Sewer Fund has restricted assets relating to collections to be used to pay for construction of the Garfield interceptor and receivables and collections to be used for Hayes Road sewer line construction.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Water and sewer distribution systems	50 years
Buildings and building improvements	10-30 years
Vehicles	5-10 years
Office furnishings	5-10 years
Other tools and equipment	5-20 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Accounting and Reporting Changes

GASB Statement No. 34 - In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Township of Washington has applied for the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). The Township has elected to implement both the general provisions of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations
- Financial statements prepared using the full accrual accounting for all of the Township's activities
- A change in the fund financial statements to focus on the major funds
- Capital assets at March 31, 2003 previously reported in the General Fixed Assets Account Group have been adjusted by approximately \$12,000 to reflect the historical cost of the Township's capital assets at that time.
- The governmental activities column includes other long-term obligations totaling \$750,000 previously reported in the General Long-term Debt Account Group.

Revenue Recognition - The Township changed its method of accounting for state-shared revenue. Beginning in 2004, state-shared revenue collected within 60 days of the end of the current fiscal period is recognized as revenue in the current period. Previously, the Township accrued state-shared revenue collected within 30 days of the end of the current fiscal period. As a result, an additional \$159,486 was recognized as state-shared revenue as of March 31, 2004.

Township of Washington

Notes to Financial Statements March 31, 2004

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at April 1, 2003	\$ (124,524)
Current year building permit revenue	609,178
Related expenses:	
Direct costs	\$ 543,151
Estimated indirect costs	<u>68,458</u>
Total construction code expenses	<u>611,609</u>
Cumulative shortfall at March 31, 2004	<u>\$ (126,955)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township has designated seven banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policies are in accordance with statutory authority.

Township of Washington

Notes to Financial Statements March 31, 2004

Note 3 - Deposits and Investments (Continued)

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Funds
Cash and cash equivalents	\$ 11,282,233	\$ 9,073,050	\$ 20,355,283	\$ 1,131,931
Restricted assets (Note 7)	-	2,174,246	2,174,246	-
Total	<u>\$ 11,282,233</u>	<u>\$ 11,247,296</u>	<u>\$ 22,529,529</u>	<u>\$ 1,131,931</u>

The breakdown between deposits and investments for the Township of Washington is as follows:

	Primary Government	Fiduciary Funds
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 7,236,005	\$ 593,732
Investments in securities, mutual funds, and similar vehicles	15,292,824	538,199
Petty cash or cash on hand	700	-
Total	<u>\$ 22,529,529</u>	<u>\$ 1,131,931</u>

The bank balance of the Township's deposits is \$10,355,561, of which approximately \$400,000 is covered by federal depository insurance.

Investments

The Township's investments during the year consisted solely of bank investment pools of \$15,538,418 and interlocal agreements of \$292,605 at March 31, 2004. Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, bank investment pools and interlocal agreements are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Township believes that the investments in these funds comply with the investment authority noted above.

Township of Washington

Notes to Financial Statements March 31, 2004

Note 4 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

Governmental Activities	Balance April 1, 2003	Additions	Disposals and Adjustments	Balance March 31, 2004
Capital assets not being depreciated - Land	\$ 401,921	\$ 1,124,700	\$ -	\$ 1,526,621
Capital assets being depreciated:				
Buildings and improvements	2,534,494	410,223	-	2,944,717
Vehicles	2,546,912	-	-	2,546,912
Office furnishings	254,353	-	-	254,353
Other tools and equipment	<u>611,824</u>	<u>78,069</u>	<u>-</u>	<u>689,893</u>
Subtotal	5,947,583	488,292	-	6,435,875
Accumulated depreciation:				
Buildings and improvements	1,004,942	85,625	-	1,090,567
Vehicles	771,649	121,763	-	893,412
Office furnishings	171,997	26,371	-	198,368
Other tools and equipment	<u>269,957</u>	<u>49,236</u>	<u>-</u>	<u>319,193</u>
Subtotal	<u>2,218,545</u>	<u>282,995</u>	<u>-</u>	<u>2,501,540</u>
Net capital assets being depreciated	<u>3,729,038</u>	<u>205,297</u>	<u>-</u>	<u>3,934,335</u>
Net governmental capital assets	<u>\$ 4,130,959</u>	<u>\$ 1,329,997</u>	<u>\$ -</u>	<u>\$ 5,460,956</u>

Township of Washington

Notes to Financial Statements March 31, 2004

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance April 1, 2003	Additions	Disposals and Adjustments	Balance March 31, 2004
Capital assets not being depreciated:				
Land	\$ -	\$ 10,112	\$ -	\$ 10,112
Construction in progress	<u>2,736,985</u>	<u>329,312</u>	<u>2,156,342</u>	<u>909,955</u>
Subtotal	2,736,985	339,424	2,156,342	920,067
Capital assets being depreciated:				
Water and sewer distribution systems	35,124,906	4,172,677	-	39,297,583
Buildings and building improvements	376,951	35,095	-	412,046
Vehicles	354,703	-	34,527	320,176
Office furnishings	56,974	16,046	-	73,020
Other tools and equipment	<u>246,515</u>	<u>-</u>	<u>-</u>	<u>246,515</u>
Subtotal	36,160,049	4,223,818	34,527	40,349,340
Accumulated depreciation:				
Water and sewer distribution systems	6,166,832	745,519	-	6,912,351
Buildings and building improvements	160,274	13,262	-	173,536
Vehicles	271,050	33,470	34,527	269,993
Office furnishings	46,194	7,378	-	53,572
Other tools and equipment	<u>97,335</u>	<u>16,271</u>	<u>-</u>	<u>113,606</u>
Subtotal	<u>6,741,685</u>	<u>815,900</u>	<u>34,527</u>	<u>7,523,058</u>
Net capital assets being depreciated	<u>29,418,364</u>	<u>3,407,918</u>	<u>-</u>	<u>32,826,282</u>
Net water and sewer capital assets	<u>\$ 32,155,349</u>	<u>\$ 3,747,342</u>	<u>\$ 2,156,342</u>	<u>\$ 33,746,349</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 78,702
Public safety	<u>204,293</u>

Total governmental activities \$ 282,995

Business-type activities - Water and sewer \$ 815,899

Township of Washington

Notes to Financial Statements March 31, 2004

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Fire Fund	\$ 31
General Fund	Ambulance Fund	31
General Fund	Water and Sewer Fund	32,878
General Fund	Nonmajor governmental funds	42
Nonmajor governmental fund - Improvement Revolving Fund	General Fund	1,810,079
Other nonmajor governmental funds	General Fund	811,645
Nonmajor governmental funds	Fire Fund	421,396
Nonmajor governmental funds	Ambulance Fund	374,960
Total		<u>\$ 3,451,062</u>

The balance owed from the General Fund to the Improvement Revolving Fund represents the cumulative amount transferred from the General Fund to the Improvement Revolving Fund over that fund's lifetime. The General Fund continues to hold the cash and investments so that it may continue to earn interest on these funds. The other balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Township of Washington

Notes to Financial Statements March 31, 2004

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Nonmajor governmental funds - Employee Benefits Fund	\$ 140,000
General Fund	Nonmajor governmental funds - Improvement Revolving Fund	302,563
General Fund	Nonmajor governmental funds	34,160
Fire Fund	Other governmental funds	70,000
Ambulance Fund	Other governmental funds	70,000
Nonmajor governmental funds	General Fund	42,268
Nonmajor governmental funds	Water and Sewer Fund	1,339
Total		<u>\$ 660,330</u>

The transfers from the General Fund to the Employee Benefits Special Revenue Fund represent the transfer of funds to meet retiree health care premiums and a portion of the Township's sick and vacation liability. The transfers from the General Fund to the Improvement Revolving Fund represent transfers to cover expenditures associated with future projects that will benefit the Township.

Note 6 - Long-term Debt

The Township of Washington issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Township of Washington

Notes to Financial Statements March 31, 2004

Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental Activities							
Special assessment bonds:							
Ulmor/Woodland Water:							
Amount of issue: \$320,000							
Maturing through 2004	8.00%	\$ 30,000	\$ 30,000	\$ -	\$ (30,000)	\$ -	\$ -
A.W. Jones Paving:							
Amount of issue: \$280,000		25,000					
Maturing through 2005	6.00%	30,000	55,000	-	(30,000)	25,000	25,000
Carriage Hill Paving:							
Amount of issue: \$915,000	4.95% -	90,000					
Maturing through 2010	5.30%	100,000	665,000	-	(100,000)	565,000	100,000
Other long-term obligations -							
Compensated absences			288,193	14,844	-	303,037	-
Total governmental activities			<u>\$ 1,038,193</u>	<u>\$ 14,844</u>	<u>\$ (160,000)</u>	<u>\$ 893,037</u>	<u>\$ 125,000</u>
Business-type Activities							
General obligation bonds:							
Special Assessment Bonds:							
Eastview S.A.D. (B12127)							
Amount of issue: \$970,000	4.1%	45,000					
Maturing through 2005	4.90%	110,000	\$ 200,000	\$ -	\$ (100,000)	\$ 100,000	\$ 100,000
Washington Heights:							
Amount of issue: \$240,000	4%	10,000					
Maturing through 2008	7.00%	30,000	125,000	-	(25,000)	100,000	25,000
Carriage Hills #6:							
Amount of issue: \$810,000	3.6%	45,000					
Maturing through 2012	4.75%	85,000	680,000	-	(85,000)	595,000	85,000
Revenue bonds:							
Van Dyke Water:							
Amount of issue: \$750,000	2.75%	25,000					
Maturing through 2009	5.60%	70,000	390,000	-	(60,000)	330,000	65,000
Eastview S.A.D. (B11264):							
Amount of issue: \$750,000	4.4%	30,000					
Maturing through 2010	5.70%	75,000	480,000	-	(50,000)	430,000	50,000
Water Supply and Sewage Disposal System:							
Amount of issue: \$2,500,000	0%	25,000					
Maturing through 2020	8.00%	300,000	2,475,000	-	(25,000)	2,450,000	25,000
Other long-term obligations -							
Compensated absences			29,485	46,586	-	76,071	-
Total business-type activities			<u>\$ 4,379,485</u>	<u>\$ 46,586</u>	<u>\$ (345,000)</u>	<u>\$ 4,081,071</u>	<u>\$ 350,000</u>

Township of Washington

Notes to Financial Statements March 31, 2004

Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 125,000	\$ 27,663	\$ 152,663	\$ 350,000	\$ 211,153	\$ 561,153
2006	95,000	21,539	116,539	255,000	193,275	448,275
2007	95,000	16,718	111,718	255,000	180,317	435,317
2008	95,000	11,873	106,873	260,000	167,226	427,226
2009	90,000	7,110	97,110	240,000	153,618	393,618
2010-2014	90,000	2,385	92,385	1,070,000	552,049	1,622,049
2015-2019	-	-	-	1,275,000	240,794	1,515,794
2020-2024	-	-	-	300,000	7,500	307,500
Total	<u>\$ 590,000</u>	<u>\$ 87,288</u>	<u>\$ 677,288</u>	<u>\$ 4,005,000</u>	<u>\$ 1,705,932</u>	<u>\$ 5,710,932</u>

Note 7 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Business-type Activities
Cash and equivalents:	
Sewer benefit fees	\$ 884,943
Hayes Road construction	114,215
Bond reserve	321,000
Unspent bond proceeds	<u>854,088</u>
Total cash and equivalents	2,174,246
Court judgment receivable - \$435,285 payable over 45 years with no stated interest, recorded at present value using imputed interest rate of 8 percent, final payment due April 2031	<u>116,457</u>
Total restricted assets	<u>\$ 2,290,703</u>

Note 7 - Restricted Assets (Continued)

The sewer benefit fees of \$884,943 are restricted for construction of the Garfield interceptor. The Hayes Road construction cash and equivalents of \$114,215 and the court judgment receivable of \$116,457 are restricted for maintenance on the Hayes Road sewer line. The bond reserve of \$321,000 and unspent bond proceeds of \$854,088 are restricted for the Eastview water main, the Van Dyke water main extension, and debt service on the related revenue bonds.

Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical claims and participates in the Michigan Townships Participating Plan risk pool for claims relating to property loss, torts, errors and omissions, and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Townships Participating Plan (the "Plan") operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Note 9 - Defined Contribution Retirement Plan

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by Township Board resolution, the Township contributes 15 percent of compensation as defined by W-2 wages for Fire Department employees and 15 percent of base salaries for all general employees, department heads, and Water and Sewer Department employees. Employees may voluntarily contribute up to 10 percent. In accordance with these requirements, the Township contributed \$470,166.

Note 10 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consisted of \$745,582 of special assessment funds that were unavailable.

Township of Washington

Notes to Financial Statements March 31, 2004

Note 11 - Designated Fund Balances

Fund balances have been designated for the following purposes:

	General Fund	Special Revenue Funds
Future expenditures	\$ 479,438	\$ -
Roads	420,000	-
Land/Building purchases	529,056	-
Capital improvements	-	1,810,079
Employee benefits	-	1,220,911
Total	<u>\$ 1,428,494</u>	<u>\$ 3,030,990</u>

Note 12 - Joint Ventures

The Township is a member of the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation thru Advanced Reservation Commission (S.T.A.R.). The Township appoints one member to each joint venture's governing board, which then approves the annual budget. The Parks and Recreation Commission is funded primarily from property taxes and program fees. S.T.A.R. is funded primarily from property taxes and operating grants. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The Township's equity interest of \$790,479 and \$620,470 in the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation thru Advanced Reservation Commission, respectively, is recorded within the governmental activities column of the statement of net assets. Complete financial statements for the joint ventures can be obtained from the administrative offices at 361 Morton, Romeo, Michigan 48061.

The Township is a member of the Tri-County Cable Communications Commission, which provides cable services to the residents of Washington Township, the Village of Romeo, and Bruce Township. The participating communities provide annual funding for its operations. During the current year, the Township contributed \$95,711 for its operations. The Township is unaware of any circumstances that would cause an additional benefit or burden for the Township. Complete financial statements for the Tri-County Cable Communications Commission can be obtained at 6 Walter Sheetz Drive, Romeo, MI 48065.

Note 13 - Commitments and Contingencies

In the prior year, the Township entered into an intergovernmental cost-sharing agreement with two neighboring communities and the Macomb County Public Works Commissioner to fund the construction of an interceptor and wastewater disposal service. Total estimated costs are approximately \$28,000,000. Sixty percent of the cost will be shared directly by the three communities, of which the Township's portion is approximately \$3,400,000. The remaining 40 percent will be funded by the Macomb County Water Disposal District.

Required Supplemental Information

Township of Washington

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2004

	Prior Year Actual	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue					
Property taxes:					
Current taxes	\$ 529,142	\$ 589,164	\$ 582,893	\$ 582,886	\$ (7)
Delinquent personal property taxes	817	800	2,000	1,955	(45)
Mobile home park taxes	4,734	4,800	4,308	4,699	391
Total property taxes	534,693	594,764	589,201	589,540	339
Licenses and permits:					
Building permits	213,720	261,600	292,281	318,296	26,015
Electrical permits	71,668	73,500	80,269	84,902	4,633
Mechanical permits	114,738	119,300	121,857	130,324	8,467
Plumbing permits	67,463	82,300	69,331	75,656	6,325
Total licenses and permits	467,589	536,700	563,738	609,178	45,440
Federal sources	17,086	15,000	-	-	-
State-shared revenue	1,337,288	1,123,806	1,220,006	1,375,967	155,961
Fees:					
Bookkeeping	134,467	136,373	136,973	136,973	-
Variance	7,490	6,800	12,830	14,600	1,770
Cable television	110,321	121,352	129,872	129,872	-
Cemetery	29,302	29,000	30,651	27,090	(3,561)
Bonds forfeited	-	-	903	903	-
Court fines	2,558	4,000	2,675	2,650	(25)
Total fees	284,138	297,525	313,904	312,088	(1,816)
Interest and rent	200,757	148,800	199,245	199,731	486
Special assessments	277,519	103,500	251,284	270,452	19,168
Other revenue:					
Refunds and rebates	5,480	2,000	26	1,993	1,967
Other revenue	144,807	4,200	38,605	70,890	32,285
Total other revenue	150,287	6,200	38,631	72,883	34,252
Other financing sources - Transfer in	-	295,000	295,000	42,268	(252,732)
Total revenue	3,269,357	3,121,295	3,471,009	3,472,107	1,098

Township of Washington

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2004

	Prior Year Actual	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures					
General government:					
Township Board	\$ 63,598	\$ 50,282	\$ 46,062	\$ 39,184	\$ 6,878
Supervisor	64,525	68,771	79,312	78,493	819
Elections	121,798	196,561	166,623	167,495	(872)
Assessor	223,466	232,345	227,983	221,916	6,067
Clerk	60,509	65,402	63,332	61,337	1,995
Accounting	179,819	206,625	194,979	190,785	4,194
Cemetery	29,269	56,400	43,600	41,680	1,920
Administrative	180,797	199,211	197,179	189,223	7,956
Treasurer	182,464	188,352	188,311	187,259	1,052
Board of Review	9,991	9,250	13,375	9,620	3,755
Township Hall	303,305	227,237	199,676	176,386	23,290
Fringe benefits	455,285	543,441	547,606	500,836	46,770
Total general government	1,874,826	2,043,877	1,968,038	1,864,214	103,824
Public safety:					
Electrical inspection department	40,518	60,900	60,700	45,198	15,502
Plumbing and heating department	28,213	36,800	34,525	31,855	2,670
Mechanical inspection department	48,971	49,400	61,900	57,233	4,667
Building department	261,852	290,100	291,752	284,955	6,797
Planning	78,758	98,427	98,418	86,769	11,649
Total public safety	458,312	535,627	547,295	506,010	41,285
Public works:					
Highways and streets	51,268	61,700	39,800	36,225	3,575
Street lighting	20,034	24,200	19,153	19,094	59
Total public works	71,302	85,900	58,953	55,319	3,634
Insurance:					
Workers' compensation insurance	8,428	18,000	10,000	7,867	2,133
Other liability insurance	50,717	57,250	60,000	60,731	(731)
Total insurance	59,145	75,250	70,000	68,598	1,402
Capital outlay	256,120	295,000	350,000	342,573	7,427
Other financing uses:					
Transfer to Employee Benefits Fund	60,000	60,000	140,000	140,000	-
Transfer to Improvement Revolving Fund	23,310	-	302,563	302,563	-
Transfer to Woodfield Paving Fund	691,250	-	-	-	-
Transfer to Cable Franchise Reserve Fee Fund	23,310	25,641	34,160	34,160	-
Total other financing uses	797,870	85,641	476,723	476,723	-
Total expenditures	3,517,575	3,121,295	3,471,009	3,313,437	157,572
Net Change in Fund Balance	(248,218)	-	-	158,670	158,670
Fund Balance - Beginning of year	2,244,798	2,019,890	2,019,890	2,019,890	-
Fund Balance - End of year	\$ 1,996,580	\$ 2,019,890	\$ 2,019,890	\$ 2,178,560	\$ 158,670

Township of Washington

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended March 31, 2004

	Fire			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
Revenue				
Property taxes	\$ 1,620,699	\$ 1,778,807	\$ 1,778,770	\$ (37)
Interest	80,205	36,984	37,062	78
Refunds and rebates	-	133	5,055	4,922
Other	-	4,888	6,308	1,420
Total revenue	1,700,904	1,820,812	1,827,195	6,383
Expenditures				
Public safety	1,570,154	1,636,242	1,528,258	107,984
Capital outlay	60,750	93,900	77,564	16,336
Total expenditures	1,630,904	1,730,142	1,605,822	124,320
Excess of Revenue Over Expenditures	70,000	90,670	221,373	130,703
Other Financing Uses - Transfer to Employee Benefits Fund	(70,000)	(90,670)	(70,000)	20,670
Net Change in Fund Balance	-	-	151,373	151,373
Fund Balance - Beginning of year	2,613,150	2,613,150	2,613,150	-
Fund Balance - End of year	<u>\$ 2,613,150</u>	<u>\$ 2,613,150</u>	<u>\$ 2,764,523</u>	<u>\$ 151,373</u>

Township of Washington

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended March 31, 2004

	Police			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
Revenue				
Property taxes	\$ 800,400	\$ 800,400	\$ 798,744	\$ (1,656)
District Court fines	40,000	40,000	53,328	13,328
Interest	2,500	2,500	2,829	329
Total revenue	842,900	842,900	854,901	12,001
Expenditures - Public safety	842,900	842,900	710,053	132,847
Excess of Revenue Over Expenditures	-	-	144,848	144,848
Fund Balance - Beginning of year	619,127	619,127	619,127	-
Fund Balance - End of year	<u>\$ 619,127</u>	<u>\$ 619,127</u>	<u>\$ 763,975</u>	<u>\$ 144,848</u>

Township of Washington

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended March 31, 2004

	Advanced Life Support			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
Revenue				
Property taxes	\$ 1,283,846	\$ 1,430,461	\$ 1,430,431	\$ (30)
Charges for services	46,000	43,631	43,927	296
Interest	29,990	18,549	18,550	1
Refunds and rebates	-	93	4,786	4,693
Other	-	18	1,494	1,476
Total revenue	1,359,836	1,492,752	1,499,188	6,436
Expenditures				
Public safety	1,255,586	1,321,717	1,200,445	121,272
Capital outlay	34,250	27,187	9,664	17,523
Total expenditures	1,289,836	1,348,904	1,210,109	138,795
Excess of Revenue Over Expenditures	70,000	143,848	289,079	145,231
Other Financing Uses - Transfers to Employee Benefits Fund	(70,000)	(143,848)	(70,000)	73,848
Net Change in Fund Balance	-	-	219,079	219,079
Fund Balance - Beginning of year	1,483,740	1,483,740	1,483,740	-
Fund Balance - End of year	<u>\$ 1,483,740</u>	<u>\$ 1,483,740</u>	<u>\$ 1,702,819</u>	<u>\$ 219,079</u>

Township of Washington

Note to Required Supplemental Information March 31, 2004

Budgetary Information - The annual budget is prepared by management and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2004 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The budget statement (budgetary comparison schedule - General Fund and Major Special Revenue Funds) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget and Major Special Revenue Funds budgets as adopted by the Township Board is included in the required supplemental information. A comparison of the actual results of operations to the nonmajor Special Revenue Funds and nonmajor Debt Service Funds budgets as adopted by the Township Board is available at the clerk's office for inspection.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township did not have significant expenditure budget variances.

Other Supplemental Information

Township of Washington

Special Revenue Funds					
	Liquor Enforcement	Improvement Revolving	Budget Stabilization	Sidewalk Fund	Cable Franchise Fee Reserve Fund
Assets					
Cash and cash equivalents	\$ 32,034	\$ -	\$ -	\$ 100,084	\$ -
Special assessments	-	-	-	-	-
Due from other funds	-	1,810,079	252,000	-	67,470
Due from other governmental units	3	-	-	-	-
Prepaid expenses	3	-	-	-	-
Total assets	<u>\$ 32,040</u>	<u>\$ 1,810,079</u>	<u>\$ 252,000</u>	<u>\$ 100,084</u>	<u>\$ 67,470</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 17,990	\$ -
Due to other funds	42	-	-	-	-
Accrued and other liabilities	645	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	687	-	-	17,990	-
Fund Balances					
Reserved:					
Prepays	3	-	-	-	-
Law enforcement	31,350	-	-	-	-
Unreserved:					
Designated	-	1,810,079	-	-	-
Undesignated	-	-	252,000	82,094	67,470
Total fund balances	<u>31,353</u>	<u>1,810,079</u>	<u>252,000</u>	<u>82,094</u>	<u>67,470</u>
Total liabilities and fund balances	<u>\$ 32,040</u>	<u>\$ 1,810,079</u>	<u>\$ 252,000</u>	<u>\$ 100,084</u>	<u>\$ 67,470</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2004**

Special Revenue Funds		Debt Service Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
Street Light Assessment Fund	Employee Benefits	Debt Service	D/T Buff. Knoll/ Romeo Hill	Carriage Hills	Woodfield Paving	
\$ 14,697	\$ -	\$ 290,442	\$ -	\$ 15,509	\$ -	\$ 452,766
-	-	274,473	-	-	-	274,473
-	1,220,911	-	17,851	-	49,769	3,418,080
230	-	4,133	-	-	-	4,366
-	-	-	-	-	-	3
<u>\$ 14,927</u>	<u>\$ 1,220,911</u>	<u>\$ 569,048</u>	<u>\$ 17,851</u>	<u>\$ 15,509</u>	<u>\$ 49,769</u>	<u>\$ 4,149,688</u>
\$ 1,908	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,898
-	-	-	-	-	-	42
-	-	-	-	-	-	645
-	-	274,473	-	-	-	274,473
1,908	-	274,473	-	-	-	295,058
-	-	-	-	-	-	3
-	-	-	-	-	-	31,350
-	1,220,911	-	-	-	-	3,030,990
13,019	-	294,575	17,851	15,509	49,769	792,287
13,019	1,220,911	294,575	17,851	15,509	49,769	3,854,630
<u>\$ 14,927</u>	<u>\$ 1,220,911</u>	<u>\$ 569,048</u>	<u>\$ 17,851</u>	<u>\$ 15,509</u>	<u>\$ 49,769</u>	<u>\$ 4,149,688</u>

Township of Washington

	Special Revenue Funds				
	Liquor Enforcement	Improvement Revolving	Budget Stabilization	Sidewalk Fund	Cable Franchise Fee Reserve Fund
Revenue					
State-shared revenue	\$ 8,419	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	38,237	-
Interest	-	-	-	625	-
Refunds and rebates	3	-	-	-	-
Special assessments	-	-	-	-	-
Other	-	11,479	-	-	-
Total revenue	8,422	11,479	-	38,862	-
Expenditures					
General government	-	-	-	-	-
Public safety	7,764	-	-	17,990	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	7,764	-	-	17,990	-
Excess of Revenue Over (Under) Expenditures	658	11,479	-	20,872	-
Other Financing Sources (Uses)					
Transfers in	-	302,563	-	-	34,160
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	302,563	-	-	34,160
Net Change in Fund Balances	658	314,042	-	20,872	34,160
Fund Balances - Beginning of year	30,695	1,496,037	252,000	61,222	33,310
Fund Balances - End of year	<u>\$ 31,353</u>	<u>\$ 1,810,079</u>	<u>\$ 252,000</u>	<u>\$ 82,094</u>	<u>\$ 67,470</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended March 31, 2004

Special Revenue Funds		Debt Service	Capital Projects Funds			Total
Street Light	Employee	Fund	D/T Buff.			Nonmajor
Assessment	Benefits	Debt Service	Knoll/ Romeo	Carriage Hills	Woodfield	Governmental
Fund			Hill		Paving	Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,419
-	-	-	-	-	-	38,237
13	-	29,613	-	124	-	30,375
-	-	-	-	-	-	3
36,956	-	131,240	-	-	-	168,196
-	-	-	-	-	-	11,479
36,969	-	160,853	-	124	-	256,709
-	3,273	-	-	-	-	3,273
-	-	-	-	-	-	25,754
31,514	-	-	-	219	534	32,267
-	-	193,075	-	-	-	193,075
31,514	3,273	193,075	-	219	534	254,369
5,455	(3,273)	(32,222)	-	(95)	(534)	2,340
-	280,000	-	-	-	-	616,723
-	-	(43,607)	-	-	-	(43,607)
-	280,000	(43,607)	-	-	-	573,116
5,455	276,727	(75,829)	-	(95)	(534)	575,456
7,564	944,184	370,404	17,851	15,604	50,303	3,279,174
<u>\$ 13,019</u>	<u>\$ 1,220,911</u>	<u>\$ 294,575</u>	<u>\$ 17,851</u>	<u>\$ 15,509</u>	<u>\$ 49,769</u>	<u>\$ 3,854,630</u>

Township of Washington

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds March 31, 2004

	Agency Funds		
		Trust and	
	Tax Collections	Agency	Totals
Assets - Cash and investments	<u>\$ 1,414</u>	<u>\$ 1,130,517</u>	<u>\$ 1,131,931</u>
Liabilities			
Due to other governmental units	\$ 1,414	\$ -	\$ 1,414
Cash bonds and deposits	<u>-</u>	<u>1,130,517</u>	<u>1,130,517</u>
Total liabilities	<u>\$ 1,414</u>	<u>\$ 1,130,517</u>	<u>\$ 1,131,931</u>



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June 11, 2004

To the Board of Trustees
Township of Washington
57900 Van Dyke
P.O. Box 94067
Washington, MI 48094-4067

Dear Board Members:

We have recently completed our audit of the financial statements of the Township of Washington for the year ended March 31, 2004. As a result of our audit, and in addition to our financial report, we offer the following comments and recommendations.

Governmental Accounting Standards Board Statement 34

As previously communicated to you, Governmental Accounting Standards Board (GASB) Statement 34 is now here. You will notice a very different look to the financial statements. Preparing for this new reporting model has required a significant amount of effort by the Township's Accounting Department.

Although there are many differences with this new reporting model, the major additions are as follows:

- **Management Discussion and Analysis:** Management is now required to give an overview of the Township's overall financial position and results of operations.
- **Government Wide Financial Statements:** These additional statements adjust the **fund-based** statements into a combined, **Township wide full-accrual** format. This allows a financial statement reader to see the Township from a long-term perspective (i.e., are today's taxpayers paying for today's services?). These statements show capital and infrastructure assets, as well as long-term debt, as part of the Township's financial picture.
- **Budget Comparison:** A financial statement reader will now be able to view not only the actual revenue and expenditures of the Township compared to the final amended budget, but also as compared to the original budget for the General Fund and Major Special Revenue Funds.

Revenue Sharing

As you are aware, revenue sharing payments for the State's fiscal year ended September 30, 2003, were reduced by 3.5 percent through a December 2002 Executive Order. The budget for the State's fiscal year ending September 30, 2004, includes an *additional* 3 percent reduction in revenue sharing payments from the estimated payments for the State's 2003 fiscal year. These cuts are compounded by reductions that result when sales tax collections are less than what is included in the State's projections. In December 2003, the Governor issued an executive order

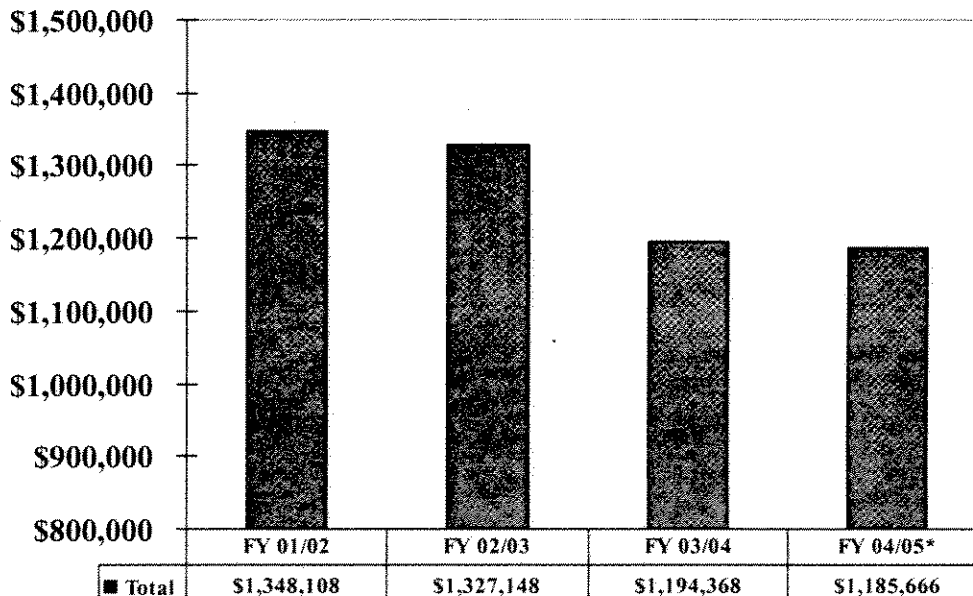
reducing revenue sharing for the State's fiscal year ending September 30, 2004, an additional 5 percent.

In February 2004, the Governor introduced her budget for the State's fiscal year ended September 30, 2005. For cities, villages and townships, the Governor's budget proposal is to keep revenue sharing levels for the September 30, 2005 fiscal year end at the September 30, 2004, fiscal year end levels. However, the proposal eliminates statutory revenue sharing for counties. There is considerable discussion in Lansing about further reductions to state shared revenue from the Governor's budget proposal for fiscal year ended September 30, 2005.

We have attached a chart to provide you with more detail on what has occurred with revenue sharing relative to Washington Township. The chart demonstrates the impact that these cuts in revenue sharing by the State have had on Washington Township. For the Township, revenue sharing funding levels are \$162,442 less for the 2005 fiscal year as compared to fiscal year 2002.

We recommend that the Township continue to evaluate the impact of the revenue sharing reductions on the Township's 2004 budget. In addition, updated information can be obtained from the Department of Treasury's web site at <http://treas-secure.state.mi.us/apps/findrevshareinfo.asp> or by calling the Office of Revenue and Tax Analysis at (517) 373-2697. We will continue to update the Township as developments occur.

Total State Shared Revenue – Washington Township



\$ Change	\$2,817	\$20,960	\$132,780	\$8,702
% Change	.2%	1.5%	10.0%	.7%

*Projected (Data Source for all State Fiscal Years Michigan Department of Treasury.)

Funding of Post-Employment Benefits

The Governmental Accounting Standards Board recently issued an exposure draft addressing the accounting for retiree health care. As you know, the promise to provide health care to retirees is very similar to the promise to provide an annual pension check. As a result, GASB is proposing changes that would result in the Township having an actuarial valuation to define the liability and the liability would need to be disclosed in the financial statements. In addition, the Township's funding status, or the progress it has made in accumulating assets to pay for this liability would also be disclosed. Lastly, the Township would be required to make an annual contribution equal to the amount that the actuary deems necessary to fund the liability over a 30-year period. While this change is still in the draft phase, it is expected that it will be adopted in which case you will need to keep this in mind for long-range planning. These changes are expected to be effective 2008.

New Homestead Audit Program

Public Act 105 of 2003 provides new authority for local units of government and the Michigan Department of Treasury to share homestead information to determine if a resident is illegally claiming a homestead exemption on property. As you recall, following the passage of Proposal A in 1994, individuals in Michigan are allowed only one homestead for property tax purposes. A residence which is not an individual's homestead pays property tax at the non-homestead rate. The Michigan Department of Treasury will publish additional guidance related to this new law.

Municipal Finance Act – Reminder

The Municipal Finance Act was amended during 2001. Beginning after March 2002, communities and authorities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten-day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. The filing will serve as a pre-approval for debt issuances. The current filing is due within six months of the Township's year end (September 30, 2004) and is good through the extended due date of the financial statement filings (September 30, 2005).

Property Tax Assessment Cap

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is:

2004	2.3%	1999	1.6%
2003	1.5%	1998	2.7%
2002	3.2%	1997	2.8%
2001	3.2%	1996	2.8%
2000	1.9%	1995	2.6%

Property taxes are the Township's largest source of General Fund revenue. However, as indicated above, growth in existing property can be significantly limited due to Proposal A. This factor should be considered when the Township is involved in long-term financial planning.

Accounting Issues

We noted the following areas that may need some attention during 2004:

Credit Card Policy

During the year ended March 31, 2004, the Township was using credit cards although a "use of credit card" resolution had not been passed by the Township Board. The Township, however, is in the process of adopting a resolution regarding a credit card policy.

ACH Policy

Recently, Public Act 738 was passed, which allows local units of government to make and accept electronic funds transfers (ACH payments), if the local unit adopts a formal policy. While local units of government may have already been using the ACH system for payroll tax remittances and for the direct deposit of payroll, this new law requires a policy to be adopted.

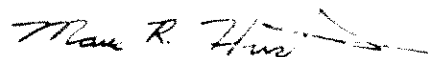
Beginning immediately, the Board should adopt a policy on ACH arrangements that includes all of the following:

- Designation of an individual as the party responsible for payment approval, accounting, reporting and compliance with the ACH policy;
- A statement that this individual is required to submit documentation as follows:
 - describe the goods or services purchased,
 - the cost,
 - date of payment, and
 - the department benefiting from the purchase;
- A system of internal controls to monitor the use of ACH transactions; and
- The approval of ACH invoices before payment.

We wish to thank the Township for the continued opportunity to serve as your auditors and for all the assistance and cooperation that we received from Ms. Sera Smith, the accounting office, and all of the Township personnel throughout the audit. If you have any questions concerning these items or wish to discuss implementation of our recommendations, please do not hesitate to call.

Very truly yours,

PLANTE & MORAN, PLLC



Mark R. Hurst